

## EXHIBIT 18

## Memorandum of Activity

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| Case Number:<br>I16A0120900                                      | Office:<br>JRI-5 Western (San Francisco)         | Type of Activity:<br>Interview |
| Date of Activity:<br>01/04/2017                                  | Date Report Drafted:<br>01/09/2017               | Location of Activity:          |
| Subject of Activity:<br>DESEELHORST, MATTHEW ., JENSEN,<br>DAVID | Activity Conducted By (Name(s)):<br>Brian DuBois | Signature:<br>B D              |

On January 4, 2017, Inspectors David Jensen and Matt DeSeelhorst, FAA, Flight Standards District Office (FSDO), Oakland, CA, were interviewed by Special Agents Brian DuBois and Kathryn Kerkhoff, U.S Department of Transportation, Office of Inspector General. The interview was conducted at the Oakland FSDO. The purpose of the interview was to discuss the FSDO's investigation into the Parachute Center, regarding the August 6, 2016, incident in which two skydivers were fatally injured. After being advised of the agents' identities and the nature of the interview, the following information was provided:

The Parachute Center is a skydiving center located in Lodi, CA, and operated by Bill Dause. It is known as the cheapest and largest skydiving center in the area. The center was investigated on several occasions by FAA following accidents. Dause told the FAA that the skydivers who provide services to customers, such as tandem jumps, are all contractors and not employees of Parachute Center.

The aircraft used by the Parachute Center are owned by Flanagan Enterprises, a company owned by Ian Flanagan. Flanagan is a Canadian citizen who owns approximately seven aircraft registered with the FAA. Dause told FAA inspectors the use of the aircraft by Parachute Center was agreed upon based on a "gentleman's agreement and handshake" and that there is no written lease agreement. Due to the circumstances of this agreement, it is unclear who has "Operational Control" of the aircraft. The aircraft are not insured, which is extremely rare. It is believed that Dause and Flanagan have known each other since the late 1980s. Flanagan was seen by FAA Inspectors at the Parachute Center on several occasions. Of note, there was a plane crash in Canada involving one of Flanagan's aircraft. The Canadian equivalent of the NTSB found the cause of the crash to be maintenance issues regarding the fuel system.

Parachute Center operates out of a private airport. Since it is a private airport, Dause can operate the aircraft without insurance. The owner of the airport is Robert Kupka. The Parachute Center is not a USPA Certified Drop Zone. This type of certification would require the Parachute Center to meet additional safety criteria, as well as pay a \$750 fee. Additionally, if the Parachute Center were operating as a Charter 135 it would be required to have insurance.

The Parachute Center was previously investigated by the Oakland FSDO following accidents and complaints from skydivers. There was a previous civil penalty following an incident which received national attention in which a woman almost fell out of her harness during a tandem skydive. Large enforcement actions were previously taken against the center, with fines in excess of \$250,000 and \$750,000. Enforcement of these actions were dropped by the United States Attorney's Office due to Dause's inability to pay. According to Jensen, Dause laughed off the action.

In 2009, the Oakland FSDO issued a Letter of Warning after an accident in which the front landing gear of Dause's aircraft failed to deploy during landing. Dause used a fork-lift to move the aircraft, damaging the wings to the point of requiring expensive repairs. There was no insurance for the aircraft. The aircraft belonged to Ian Flanagan.

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During another incident, a Caravan aircraft used by the Parachute Center crashed in a local vineyard shortly after take-off. There was an issue with the aircraft's fuel line rupturing. Parachutists were onboard at the time. There was no insurance for the aircraft. Dause paid the vineyard owners in cash for the damages caused to the property. It was estimated the aircraft removal and removal of soil damaged by spilled fuel alone was in excess of \$20,000.

There are possible registration issues with Flanagan's aircraft. The aircraft are registered in the United States with the FAA, requiring 75% US ownership of the aircraft. On the registration forms, Flanagan would have to indicate there is 75% US ownership. Aircraft registration renewal occurs every three years.

The FAA had repeated issues with the Parachute Center's aircraft and the aircraft not being properly maintained. The FAA grounded some of the aircraft on multiple occasions. Dause is an Airframe and Powerplant (A&P) mechanic, and uses his certification to sign off on the aircraft maintenance. Dause inspected the nose gear prior to the above 2009 crash in which the nose gear failed during landing.

It is unclear how much money the Parachute Center brings in through its activities; however, they have sources of revenue from operating training courses to train tandem instructors and also "bucket list" jumps, which are one-time parachute jumps. Dause pays his pilots, mechanics, and the contractors in cash.

The center was described as a "Tandem Mill", referring to how it conducts tandem jumps for "bucket list" customers, and a "Tandem Rating Mill" for how it certifies instructors. Those interested in just a tandem jump can pay \$100- \$150 per jump. The center can conduct over four flights a day with 10 people onboard each flight. The Tandem Rating courses run from \$1,200 to \$1,600 per person. Attendees are mostly foreigners who go through the course to get their rating from the rig manufacturer and the U.S. Parachute Association (USPA), then return to their home country to conduct tandem jumps.

The two individuals killed in the August 6, 2016 incident at Parachute Center were Kwon Yonghyeon, who conducted tandem jumps for the center, and Tyler Turner, who was the customer and first time parachutist. Kwon paid Dause for the training class to get a tandem certification. Kwon completed the course prior to jumping with Turner. However, the course was run by Robert Pooley, whose certifications were revoked by the USPA in 2015, so he was not certified to teach the course. Two students attending the tandem certification training class with Kwon complained that emergency training was not provided.

Students attending the Tandem Certification Course, as well as other skydivers, live in tents in the hanger.

On the day of the accident, the Sheriff's Department was first on scene after vineyard workers called in the accident. This was important to FAA Inspectors because it meant law enforcement was able to secure the scene. In past incidents, individuals from the Parachute Center have been known to arrive at the accident sites prior to law enforcement officials and move or tamper with the parachute. Jensen spoke with the crime scene photographer photographing the scene over the phone. The photographer was able to confirm the pin releasing the main parachute was not released, which meant the main parachute was never deployed. United Parachute Technologies was the manufacturer of the tandem rig.

During the course of his investigation, Jensen received copies of Kwon's tandem certification from Dause. Dause physically provided Jensen with the copy; Dause maintained the copy of the certification at the Parachute Center. Of note, Yuri Garmashov's signature was on the certification; however, Garmashov was not in the United States during the period in which the certification was signed. This was documented in Garmashov's passport. After discovering his name was on Kwon's certification, Garmashov contacted USPA to notify USPA that he did not sign the certification. This indicated Kwon was not certified. The USPA would have copies of the certifications. Pooley would have been responsible for submitting the paperwork to USPA for the courses he ran.

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According to the Turner family, when their credit card was charged for the jump, the billing company was not the Parachute Center but another LLC. Jensen believed the company billed was "Skydivers Guild, Inc." whose name was also on the liability waiver Turner and the other customers signed.

A review of the waivers signed by Tyler Turner and the other jumpers showed some jumpers under the age of 18 did not have a parent's signature, which is required to participate. Turner's mother had signed his waiver.

According to the sister or girlfriend of one of the jumpers, on August 6, 2016, the training video was playing in a loop in the hanger at the Parachute Center. Prior to boarding the aircraft for the tandem skydiving jump the four jumpers watched part of the video. The jumpers had questions about the training video, but when they asked the questions to their tandem instructors, they were told the plane was ready and they had to go.

The jump was video recorded. The recording was reviewed by Peter Swann, an FAA certified Master Parachute Rigger with 20 years' experience who owns Independent Parachute Service. He also operates out of the airport but is not associated with the Parachute Center. Upon exiting the aircraft, Kwon is observed releasing his drogue parachute, a small parachute that stabilizes the skydiver and will help pull out the main parachute when it is deployed. The drogue was tangled upon deployment, likely due to being improperly packed. This improper deployment occurs in approximately 1 out of 100 jumps, and would not have prevented the main parachute from deploying properly. The drogue and main parachutes are usually packed by the skydiver; no FAA certifications are required to pack main parachutes.

Kwon appeared to have trouble with the drogue parachute. At no point was Kwon observed pulling his main parachute. Instead of pulling his main parachute he deployed his emergency parachute. The emergency parachute drogue properly deployed, but the emergency parachute itself became entangled in the main drogue. Unlike in Sport Parachuting, in Tandem Parachuting, if the main parachute fails, you "cut it away", thus releasing the main, then pull the emergency parachute. This ensures the emergency parachute does not get entangled in the main. In this incident, the way the emergency parachute deployed indicates it was properly packed.

However, since the main drogue was still attached/flying, it entangled in the emergency parachute.

Of note, in Sport Parachuting, there are no drogue parachutes and no need to "cut away" before deploying the emergency parachute. If the main fails, you go straight to the emergency parachute. During a previous tandem certification course held at Parachute Center, students complained of a lack of emergency procedures training. During such training, students would have received instructions on the need to cut away prior to deploying the emergency parachute. Kwon had hundreds of Sport Parachuting jumps.

Curtis Bates was the pilot flying the aircraft when the incident occurred. He has also had issues with the FAA, "pilot deviations." He flies for a company in the "South Bay" doing mapping. For him, this work was a weekend job for extra money.

FAA regulates two aspects of skydiving: (1) the aircraft used to deploy skydivers, and (2) the packing of emergency parachutes. The FAA has grounded several of the aircraft associated with Parachute Center, including a DC-3.

[Agent's Note: S/A DuBois followed up with Jensen to clarify and confirm that FAA's investigation surrounding the incidents at Parachute Center was regarding potential violations of FAR Part 105.]

Following the accident, USPA pulled the qualifications of Dause, Pooley, and approximately 140 graduates of the Tandem Certification Course conducted by Parachute Center. Of the 140, some were required to retake the course, but most just had to re-certify.

#### ATTACHMENTS:

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FAA- 1-4-17- Parachute Pictures

FAA- 1-4-17- USAO Email

FAA- 1-4-17- USPA Membership Kwon

FAA- 1-4-17- USPA Statement and Guidance

FAA- 1-4-17- Yuri Garmashov Passport

Reviewed By (Initials): L G Date: 03/29/2017

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